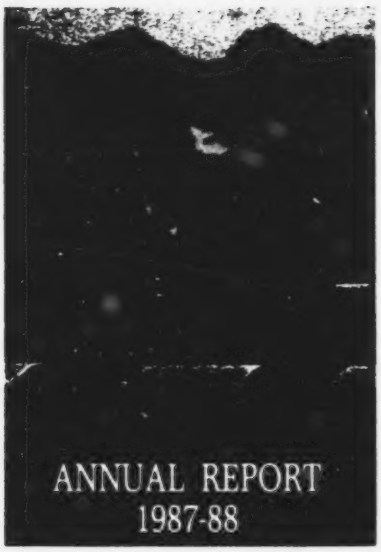
PARTS OF THE ORIGINAL DOCUMENT

ARE OF POOR REPRODUCTIVE QUALITY

CERTAINES PARTIES DU DOCUMENT ORIGINAL

SONT DE PIÈTRE QUALITÉ DE REPRODUCTION

ALBERTA HERITAGE SAVINGS TRUST FUND



ANNUAL REPORT
1987-88

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The Heritage Fund was established in 1976 with three objectives:

1. to save for the future;
2. to strengthen and diversify the economy of Alberta; and
3. to improve the quality of life for Albertans.

TREASURY

The Honourable Dick Johnston
Provincial Treasurer

A. J. McPherson
Deputy Provincial Treasurer -
Finance and Revenue

Additional copies of this annual report and copies of the future quarterly reports on the Alberta Heritage Savings Trust Fund may be obtained by writing:

Heritage Fund Reports
302 Terrace Building
Edmonton, Alberta T5K 2C3

or by telephoning (403) 427-9957

The Heritage Fund's financial assets of $12.6 billion earned net income of $1,353 million which was transferred to the General Revenue Fund to reduce the province's deficit, and to help continue high quality services and programs.

Significant new investments in Alberta, totalling $401 million, were made in Millar Western Pulp Ltd., NOVA Corporation of Alberta and in the Small Business Term Assistance Plan. These investments are helping to diversify Alberta's economy in the areas of forestry, petrochemicals and high technology and to strengthen our small businesses.

Financing of $244 million was provided to the Alberta Agricultural Development Corporation, the Alberta Opportunity Company and the Alberta Mortgage and Housing Corporation. These Crown corporations deliver programs that help farmers, small businesses, homeowners and senior citizen renters.

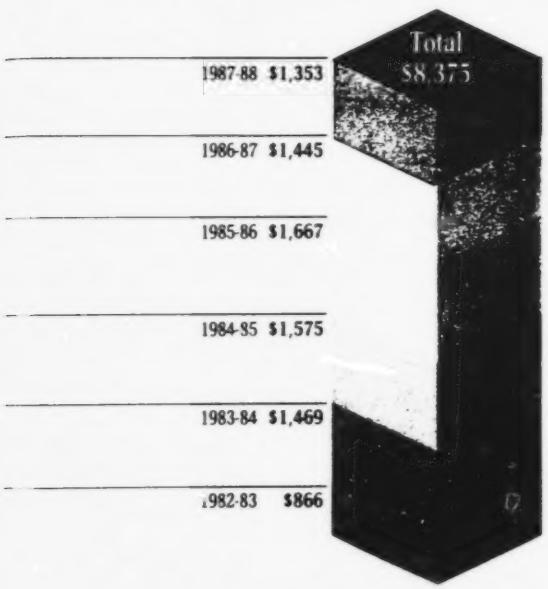
In April 1988 an additional investment of $30 million of Alberta Energy Company common shares was made.

By year end, $2.8 billion was invested in cash and marketable securities putting the Heritage Fund in a strong position to respond to future needs while continuing to provide income to the government from the investment interest.

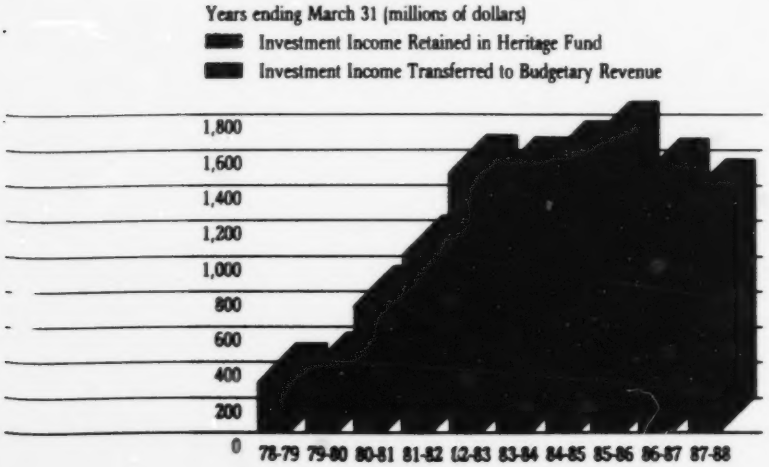
The Heritage Fund continues to provide interim financing for the Alberta Farm Credit Stability Program.

The Capital Projects Division generated jobs and is helping to improve the quality of life for Albertans through investments of over $129 million in water management, research, recreational developments and other projects.

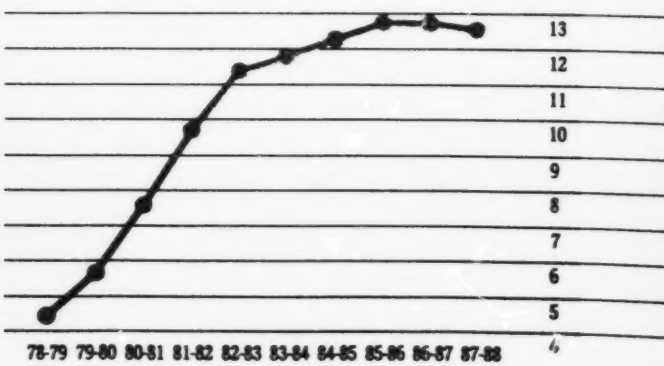
CONTRIBUTION TO BUDGETARY REVENUES
(millions of dollars)



INVESTMENT INCOME
Years ending March 31 (millions of dollars)



FINANCIAL ASSETS
Years ending March 31 (billions of dollars)



During its twelfth year of operation, the Alberta Heritage Savings Trust Fund in 1987-88 continued to play a key role in Alberta's overall fiscal plan and is an integral part of the province's economic recovery.

Improvement in Alberta's economy became evident by the spring of 1987, spurred by higher oil prices and increased business and consumer confidence. Although the grain sector continued to suffer from low market prices, the livestock industry experienced improved profitability. A major factor which contributed to the maintained confidence in our economy was the income support provided by the Heritage Fund. It helped the Government finance Alberta's quality programs and services, reduce the province's budgetary deficit and preserve the lowest overall tax regime in Canada. With Alberta's economic recovery strengthening in 1988, the province is on target to achieving a balanced budget by 1990-91.

Since 1982, all the income earned by the Fund, almost $8.4 billion, has been transferred to the province's General Revenue Account to help fund education, health and other important services. In 1987-88, an amount in excess of $1.3 billion or 14 percent of the province's total revenues was received from the Fund. Without the investment income of the Heritage Fund, the province would need to reduce program expenditures and/or increase taxes significantly.

The Alberta Heritage Savings Trust Fund is no longer growing. In 1983 the percentage of non-renewable resource revenue transferred to the Heritage Fund was reduced from 30 percent to 15 percent. In 1987-88, a decision was made to "cap" the Fund by discontinuing this transfer altogether. As a result, an additional $383 million was made available to the province's general revenues which improved budget flexibility.

Over the past two years it has become necessary for Alberta to borrow money in the world capital markets to fund our budgetary deficits. Alberta is the only province in Canada in a net asset position. The accumulation of savings in the Heritage Fund has helped Alberta maintain its excellent credit rating through the period of economic difficulty. Moreover, liquid assets within the Heritage Fund give the Government the ability to respond quickly to immediate financing needs.

During the past year the Heritage Fund made investments that assisted in the Government's diversification efforts in forestry, petrochemicals, high technology and tourism. An investment of $51 million, in the $120 million Millar Western Pulp Limited project near Whitecourt helped to facilitate the construction of one of the world's most technically advanced pulp mills.

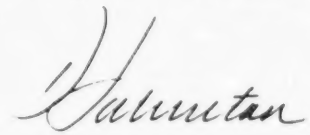
The Heritage Fund's $150 million investment in convertible subordinated debentures of NOVA Corporation will assist in the expansion of the company's gas pipeline facilities and increase efficiency in its petrochemical plants in Alberta.

In addition, the Heritage Fund provided a total of $210 million in financing for the Small Business Term Assistance Program at March 31, 1988. The 3 to 10 year, 9 percent fixed rate financing provided through this program has helped over 8,700 small businesses throughout Alberta. Interim financing of $328 million was made available for the $2 billion Farm Credit Stability Program at March 31, 1988 to assist in providing fixed 9 percent, 20 year loans to Alberta farmers.

In April 1988, the Fund invested $30 million for the acquisition of an additional 1.7 million shares in the Alberta Energy Company Limited and thus retained its 36 percent equity position in this aggressive diversified Alberta based company.

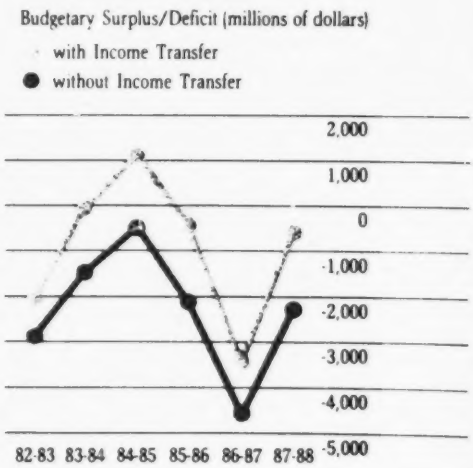
Capital Projects Division expenditures of $129 million include the development of irrigation in southern Alberta, parks, the provision of individual telephone line service to rural Albertans, and research in areas such as agriculture, oil sands development and cancer treatment. Legislation was passed during the 1988 Spring Session to increase the Capital Projects Division legislative limit from 20 percent to 25 percent of total Fund assets. This measure ensures that the Division will continue to provide long-term economic and social benefits to the people of Alberta.

The Heritage Fund has helped cushion Alberta from the effects of our recent economic difficulties. It has reduced our budgetary deficits, kept taxes lower than those of any other province, helped us borrow in world capital markets and has allowed us to undertake projects that will benefit current and future generations. As Alberta's economy grows, the Heritage Fund will help us build on our strengths and take advantage of future opportunities.



Dick Johnston
Provincial Treasurer

IMPACT OF HERITAGE FUND INCOME TRANSFER



The Alberta Heritage Savings Trust Fund was created in 1976. The government recognized that the rapidly increasing revenues received by the province at that time from the sale of non-renewable resources would not continue indefinitely. The Fund has had three basic objectives since its inception twelve years ago:

1. to save for the future,
2. to strengthen and diversify Alberta's economy, and
3. to improve the quality of life in Alberta.

The Early Years

In the early years of the Fund's existence, Alberta's economy grew rapidly in response to higher prices for our oil and gas resources. The oil boom of that period provided the government with considerable flexibility in the management of the province's finances. While keeping taxes low and providing the highest quality services to Albertans, the government was also able to allow the Heritage Fund to grow quickly during this period through the transfer of 30 per cent of resource revenues received by the province. The Fund also retained the earnings on its investments, and had accumulated financial assets of nearly $10 billion by March 31, 1982.

Responding to Fiscal Realities

In 1982, Alberta was faced with an economic slowdown accentuated by the effects of a world wide recession. A budgetary deficit was forecast for 1982-83 and additional deficits were anticipated for the future. It was decided that two courses of action should be taken. Government expenditure would be brought into line with revenue, and the Heritage Fund would play a more active role in the fiscal strategy of the province.

Effective September 1982, an amendment to the Heritage Fund Act permitted the transfer of investment earnings from the Fund to the province's general revenues. Then, effective April 1, 1983, it was decided to reduce the percentage of non-renewable resource revenue transferred to the Heritage Fund from 30 per cent to 15 per cent. As a result of these changes between 1982-83 and 1987-88, an additional $11 billion – more than a full year's budgetary expenditures – was provided to the province's general revenues to provide services to Albertans while restraining the size of the deficit.

Effective April 1987, the government took a decision to "cap" the Heritage Fund until Alberta was able to achieve a balanced budget. In essence, the decision means that the Heritage Fund is no longer growing as all non-renewable resource revenue and income on investments are being utilized to help reduce the deficit while continuing to enable the province to provide necessary programs and services from the General Revenue Fund. Capping the Fund provided an additional $383 million for such purposes during 1987-88.

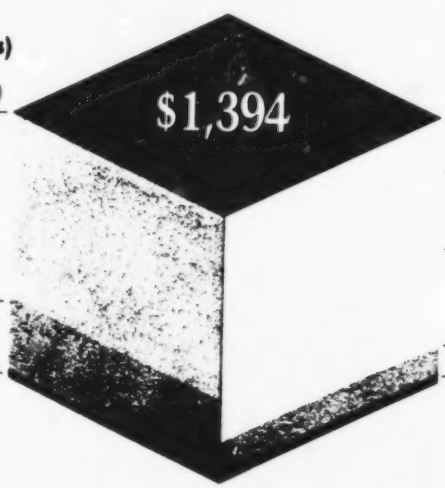
Who Makes the Decisions?

The responsibility for the administration of the Alberta Heritage Savings Trust Fund rests with the elected representatives of the people of Alberta. The chart on page 5 shows the division of the key responsibilities relating to the Heritage Fund.

Investment proposals under the Alberta, Energy and Capital Projects Divisions are typically recommended by the appropriate government department through the responsible minister.

SOURCES OF FUNDS
(Repayments and Maturities)

(millions of dollars)	
Alberta Investment Division	$998
Provincial Crown Corporations = $994 Other Investments = $4	
Canada Investment Division	$389
Energy Investment Division	$7



USES OF FUNDS
(New Investments)

(millions of dollars)	
$244	Alberta Investment Division: Provincial Crown Corporations
$426	Alberta Investment Division: Other Investments
$565	Cash and Marketable Securities and Non-cash Items
$129	Capital Projects Division
$30	Commercial Investment Division

INVESTMENT AND REVIEW PROCESS

PROVINCIAL LEGISLATURE

1. Establishes overall legislative framework for the Fund and its operations
2. Approves the Special Appropriation Act to transfer resource revenue to the Heritage Fund
3. Votes on the amounts to be invested under the Capital Projects Division
4. Approves maximum investment in each provincial Crown corporation under the Alberta Investment Division

AUDITOR GENERAL

1. Audits the financial statements of the Heritage Fund

PROVINCIAL TREASURER

1. Responsible for day to day investments under the Commercial Investment Division and Cash and Marketable Securities
2. Responsible for overall administration of the Heritage Fund

INVESTMENT COMMITTEE (Cabinet)

1. Approves all investments under the Alberta Canada and Energy Investment Divisions upon the recommendation of the Provincial Treasurer
2. Has delegated authority to the Provincial Treasurer to make investments under the Commercial Investment Division within guidelines it has approved

OTHER MINISTERS

1. Responsible for the submission of budgets and the administration of projects funded through the Capital Projects Division, the administration of provincial Crown corporations financed under the Alberta Investment Division and certain other investments

SELECT STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

1. Reviews Annual Report and makes recommendations with respect to existing and potential investments

THE PROVINCE OF ALBERTA AND HERITAGE FUND FISCAL STRATEGY

GENERAL REVENUE FUND

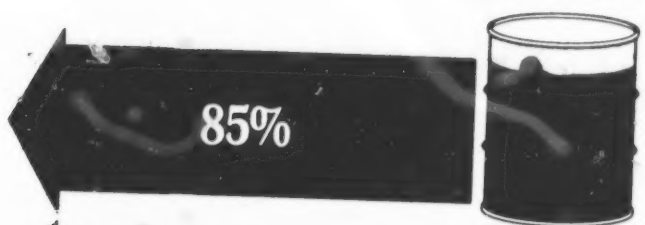
HERITAGE FUND

NON-RENEWABLE RESOURCE REVENUE AND HERITAGE FUND INVESTMENT INCOME

Since 1987-88

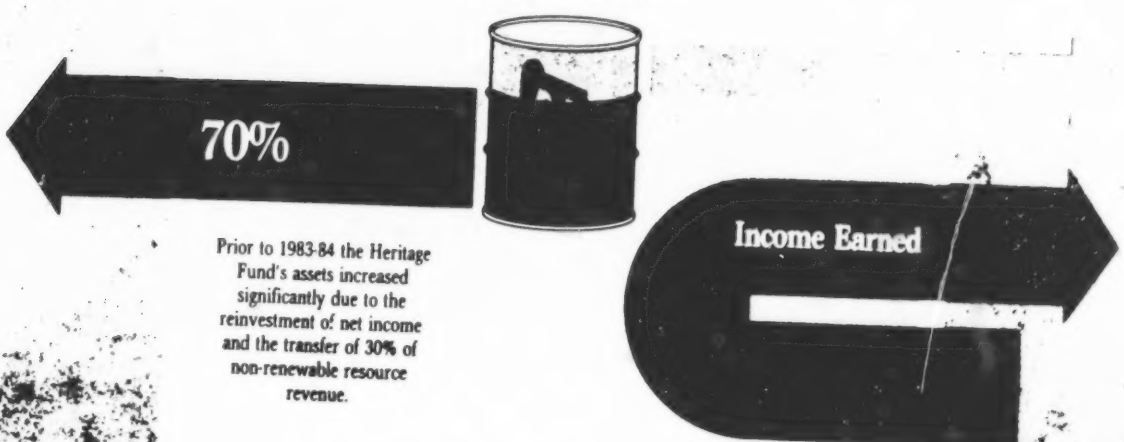
The growth of the Heritage Fund was suspended in 1987-88. The General Revenue Fund now receives all of the province's non-renewable resource revenue and the Heritage Fund's investment income to help reduce the budgetary deficit.

1983-84 to 1986-87



From 1983-84 to 1986-87 the Heritage Fund grew slowly with the reduction in the resource revenue transfer to 15% and started to play a major direct role in the province's fiscal strategy.

Prior to 1983-84



Prior to 1983-84 the Heritage Fund's assets increased significantly due to the reinvestment of net income and the transfer of 30% of non-renewable resource revenue.

THE HERITAGE FUND'S INVESTMENT DIVISIONS

The Heritage Fund consists of five Investment Divisions and a portfolio of marketable securities. The following chart describes the different types of investments permitted for each Division.

Division	What the Investments Must Do	Investments Permitted
Alberta Investment Division	Strengthen or diversify the economy of Alberta. Yield a reasonable return or profit.	Debt or equity. No limitation on the size of the Division. Current investments include debentures of provincial Crown corporations, corporate debentures, and equity holdings.
Canada Investment Division	Yield a reasonable return or profit.	Loans to other provincial governments or their agencies. The Division is limited to 20 per cent of the Fund's assets including deemed assets.* Lending activity was suspended in March, 1982.
Commercial Investment Division	Yield a commercial return or profit.	A wide range of securities is permitted. Current investments are primarily common shares. Guidelines limit investment in common shares of any one Canadian corporation to no more than five per cent of the shares outstanding. Investments are managed on a passive basis. Since 1984-85, the Investment Committee has allowed its original $200 million limit on the Division to increase quarterly by an amount equivalent to the net investment income earned by the Division.
Energy Investment Division	Facilitate the development, processing or transportation of energy resources within Canada. Yield a reasonable return or profit.	Debt or equity. No limitation on the size of the Division.
Capital Projects Division	Provide long-term economic or social benefits to the people of Alberta. Projects may not necessarily by their nature yield a return.	Current investments include capital projects, agricultural and oil sands research, and endowment funds for medical research and scholarships. In July 1988, the Legislature approved an increase in the limit on this Division from 20 per cent to 25 per cent of the Fund's assets including deemed assets.*
Cash and Marketable Securities	Invest funds not immediately required for other Divisions. Yield a market return.	Short-term money market securities, marketable bonds, and deposits.

* Non-recoverable investments under the Capital Projects Division are classified as deemed assets of the Heritage Fund and are not included in its financial assets.

ALBERTA INVESTMENT DIVISION

Alberta Government Telephones Commission (AGT)

AGT is a provincial Crown corporation that provides local and long distance communications, fully integrated and customized business systems, terminal equipment and mobile communications for Albertans. Through its subsidiaries and joint venture partners, AGT is able to market its telecommunications expertise and products around the globe. AGT is helping Alberta to be at the cutting edge of technology and competitiveness.

As it has done since 1983, AGT financed its activities by borrowing in the Canadian public market during 1987-88.

Investment at March 31, 1988: $1,099 million

Opposite and left: Production will soon be underway at the state-of-the-art Millar Western Pulp Ltd. mill at Whitecourt.

Millar Western Pulp Ltd.

Millar Western Industries Ltd. is an Alberta-based, family-owned company with major interests in lumber, construction and chemicals for the pulp industry. With a loan of up to $120 million from the Heritage Fund, the company is building, through a wholly owned subsidiary, the world's largest and most technologically advanced bleached chemithermo-mechanical pulp (CTMP) mill at Whitecourt, Alberta. Scheduled for a July 1988 start-up, the $200 million mill will have an annual capacity of 210,000 tonnes of custom made hardwood and softwood bleached pulp.

Investment in 1987-88: $51 million

Investment at March 31, 1988: $51 million

Alberta Municipal Financing Corporation

Loans from this Crown corporation, reflecting its cost of borrowing, are an economical source of long-term financing for Alberta's municipalities, school systems and hospital districts. During 1987-88, the Corporation financed its activities by borrowing from the Canada Pension Plan Investment Fund.

Investment at March 31, 1988: $825 million

Alberta Agricultural Development Corporation

The Corporation provides loans, loan guarantees and financial counselling to farmers and agribusinesses. Programs are designed to help support family farms, and include direct farm loans made at a preferred interest rate, and interest rebate incentives for eligible borrowers. In addition, the Indexed Deferral Program, announced in April 1988, enhances borrowers' cash flow in years when commodity prices are below a 10 year average, by allowing an interest-free deferral on a portion of normal loan payments. Programs are also designed to encourage local processing of the province's agricultural products.

In 1987-88, the Corporation made 487 loan commitments totalling $45 million under its Beginning Farmer Program and $2 million in loans to help established farmers expand and improve their productivity. The Corporation also provided $71 million in loan guarantees to Alberta farmers and agribusinesses.

Investment in 1987-88: $41 million

Investment at March 31, 1988: $1,017 million

Financing under Alberta Mortgage and Housing Corporation's Rural and Native Housing program has helped this family purchase their own home.

Alberta Mortgage and Housing Corporation

Heritage Fund financing enabled Alberta Mortgage and Housing Corporation (AMHC) in the early 1980s to meet the pressing housing and related infrastructure needs of Albertans. The Alberta government's commitment to affordable housing today is reflected in the Corporation's ongoing administration of approximately 34,000 housing units for seniors and low-income families and a loan portfolio encompassing approximately 43,000 homeownership and rental housing units – all of which received capital financing from the Heritage Fund.

During 1987-88 the Corporation committed over $27 million for the construction of rental housing including 243 senior citizen lodge and self-contained units and 76 community housing units.

Corporate lending activities over the past year included $17.3 million to support the sale of 337 owned properties under the Alberta Family Home Purchase Program and 155 units under the Modest Apartment Program. AMHC also provided $2.6 million in assisted mortgage financing to non-profit organizations to develop and operate nine special purpose housing projects. Ninety-two housing units were allocated for projects serving the homeless, abused children, adults with severe addictions, the mentally ill and the mentally and physically disabled. An additional $7.6 million in mortgage financing was provided for 94 rural housing units for low-income families in smaller communities under the Rural and Native Housing Program.

Investment in 1987-88: $155 million

Investment at March 31, 1988: $3,279 million

NOVA Corporation of Alberta Ltd. (NOVA)

NOVA is a major Canadian shareholder-owned energy company with assets of $4.7 billion and 7,000 employees worldwide. NOVA and its subsidiaries and affiliates are engaged in natural gas gathering and transmission, the exploration and production of petroleum, the manufacture of petrochemicals and energy-related systems, telecommunications, the marketing of engineering and technical expertise, and applied research.

In January 1988, the Heritage Fund invested $150 million in adjustable rate convertible subordinated debentures of NOVA. The proceeds will assist NOVA in funding its 1988 capital budget which includes investments of $250 million in the Alberta gas pipeline sector and about $70 million in the petrochemical business in Alberta. The investment will help strengthen the economy and provide a commercial rate of return to the Heritage Fund.

Investment in 1987-88: $150 million

Investment at March 31, 1988: $150 million

Syncrude

In 1987-88, the Syncrude Project near Fort McMurray produced 7.9 million cubic metres (50 million barrels) of synthetic crude oil or an average daily production of 136,600 barrels. As a result of oil prices that averaged 20 per cent above those of the previous year, Alberta's 16.74 per cent participation in the Project earned a net profit of $44 million compared to a profit of $34 million in 1986-87.

The $650 million capacity addition project is on schedule for completion by the middle of 1988 and is expected to increase synthetic crude oil production by 1.1 million cubic metres (6.8 million barrels) per year. The province of Alberta is making a loan totalling $85 million for engineering studies, to be completed by the end of 1988, on a major $4 billion expansion of Syncrude.

Investment at March 31, 1988: $509 million

The capacity addition project at the Syncrude plant near Fort McMurray.

Small Business Term Assistance Plan

The Small Business Term Assistance Plan was established in 1986 to make fixed rate 9 per cent financing available to Alberta small businesses for a maximum term of 10 years. Loans were available for up to $150,000 per small business for refinancing existing debt, making new purchases and extending lines of credit. The province maintains deposits with participating financial institutions equal to the amount of program loans they have outstanding. During 1987-88, the Heritage Fund provided $200 million in term financing to the Small Business Plan in the form of one to three year notes.

Investment in 1987-88: $200 million

Investment at March 31, 1988: $200 million

Prince Rupert Grain Terminal - Ridley Grain Ltd.

The Prince Rupert Grain Terminal is owned by Ridley Grain Ltd., a consortium of six major western Canadian grain handlers. The Heritage Fund's investment is in the form of first mortgage bonds. Financing was also provided for this project by members of the consortium and from the province's general revenues.

In its third year of operations, this highly automated grain terminal enjoyed another record year. Over 4 million tonnes of grain, mainly wheat and some barley, were processed. About 15 per cent of Canada's total grain exports and about 27 per cent of west coast grain exports are shipped through this modern grain terminal. Interest payments of $13.2 million were received by the Heritage Fund in 1987-88.

Investment at March 31, 1988: $134 million

Alberta Energy Company Ltd. (AEC)

AEC was established to encourage Albertans and other Canadians to participate in the development of energy and other natural resources. The majority of AEC's 46,500 shareholders are Albertans. The Company's activities include oil and gas exploration and development, and investments in Syncrude, pipelines, forest products, an electric utility, a natural gas liquids extraction plant, a coal mine, a fertilizer plant and the steel industry.

On April 12, 1988, AEC issued 4.5 million common shares for net proceeds of $78 million, to be utilized to repay existing long-term indebtedness and for addition to working capital. The Heritage Fund purchased 1.7 million of the newly issued common shares for $30 million and thus retained its 36 per cent equity position in AEC. The dividend income received by the Heritage Fund amounted to $5.8 million for 1987-88.

Investment at March 31, 1988 (at cost): $87 million

Alberta Opportunity Company

The Alberta Opportunity Company provides loans, loan guarantees and financial guidance to small Alberta businesses. The Company is making a major effort to meet the needs of Alberta's entrepreneurs, especially those in smaller and rural centres. The Company has introduced a venture capital program that allows for equity investment in a developing business. This new initiative is designed to promote the diversification of Alberta's economy in tourism, manufacturing, high technology and forest product businesses on the leading edge of technology.

In 1987-88, the Company approved 369 direct loans and 12 investments under the venture capital program for total direct funding activity of $46 million. As well, during this period 11 guarantee commitments were made.

Investment in 1987-88: $48 million

Investment at March 31, 1988: $165 million

Other Investments

Investments made in previous years include common shares of the Bank of Alberta (now the Canadian Western Bank) and debentures of Bralorne Resources Ltd.

Investment at March 31, 1988: $5 million

CAPITAL PROJECTS DIVISION

Vencap Equities Alberta Ltd.

In operation since the autumn of 1983, Vencap provides equity-linked capital for business activities that it assesses as beneficial to Alberta's economic development. With over $18 million of new investments and commitments made in 1987-88, Vencap's total venture investment portfolio, including commitments, now stands at over $88 million in 27 companies. Over 30 per cent of Vencap's investments and commitments have been directed to start-up and early ventures, ranging from high technology computer applications to industrial and oil well service operations. A widely held, shareholder-owned corporation, Vencap operates at arm's length from the government.

The return on the Heritage Fund's investment is in the form of a percentage participation in Vencap's profit each year and totalled $7.2 million in 1987-88. So far, the return to the province since 1983 from profit sharing is over $35 million.

Investment at March 31, 1988: $200 million

CANADA INVESTMENT DIVISION

Through the Canada Investment Division, the Heritage Fund invested in debentures issued by the governments of six other Canadian provinces or their agencies from 1979 to 1982. Loans were made at market rates and interest rates on debentures currently outstanding range from 9.5 per cent to 16.4 per cent. Lending under the Canada Investment Division was suspended in March 1982, to help ensure that funds were available to meet priority needs in Alberta.

During 1987-88, interest on these loans made in previous years contributed $222 million toward the Fund's investment earnings. Scheduled principal repayments totalling $389 million were also received during 1987-88.

Investment at March 31, 1988: $1,470 million

ENERGY INVESTMENT DIVISION

The only investment under this Division is debentures of Luscar Ltd. purchased in 1980-81. This investment has assisted Luscar to develop and expand its three coal mining operations in Alberta.

Investment at March 31, 1988: $1 million

COMMERCIAL INVESTMENT DIVISION

The primary objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's savings objective. The Division's emphasis on equity investments helps diversify the Fund's overall portfolio. The equity portfolio represents a broad range of Canadian industrial sectors and public companies. Investments are managed on an index basis and are limited to no more than five per cent of the shares outstanding of any one company.

The Division was started in 1981-82 with an allocation of $200 million. During 1984-85, the Investment Committee decided to permit the $200 million limit to increase as net investment income is earned by the Division.

The Division contributed $30 million in dividends, interest and realized capital gains to the Heritage Fund's investment income in 1987-88. At year end, the market value of the portfolio exceeded its cost by $182 million.

Investment (net) in 1987-88: $30 million

Investment at March 31, 1988: $263 million

CASH AND MARKETABLE SECURITIES

Funds which are not immediately required for investment in any of the five Investment Divisions are invested in high quality deposits and debt securites.

At March 31, 1988, the portfolio consisted of $2,798 million primarily of short-term money market securities and deposits in the province's Consolidated Cash Investment Trust Fund. Of this amount, $338 million was in short-term notes of the province being used as interim financing for deposits with lenders under the Alberta Farm Credit Stability Program and the Small Business Term Assistance Plan.

The average yield to maturity on the Cash and Marketable Securities portfolio was 8.8 per cent at March 31, 1988, up from 7.5 per cent a year earlier.

Cash and Marketable Securities earned a rate of return based on amortized cost of 8.7 per cent and contributed $223 million to the Fund's investment income during the fiscal year.

Investment (net) in 1987-88: $545 million

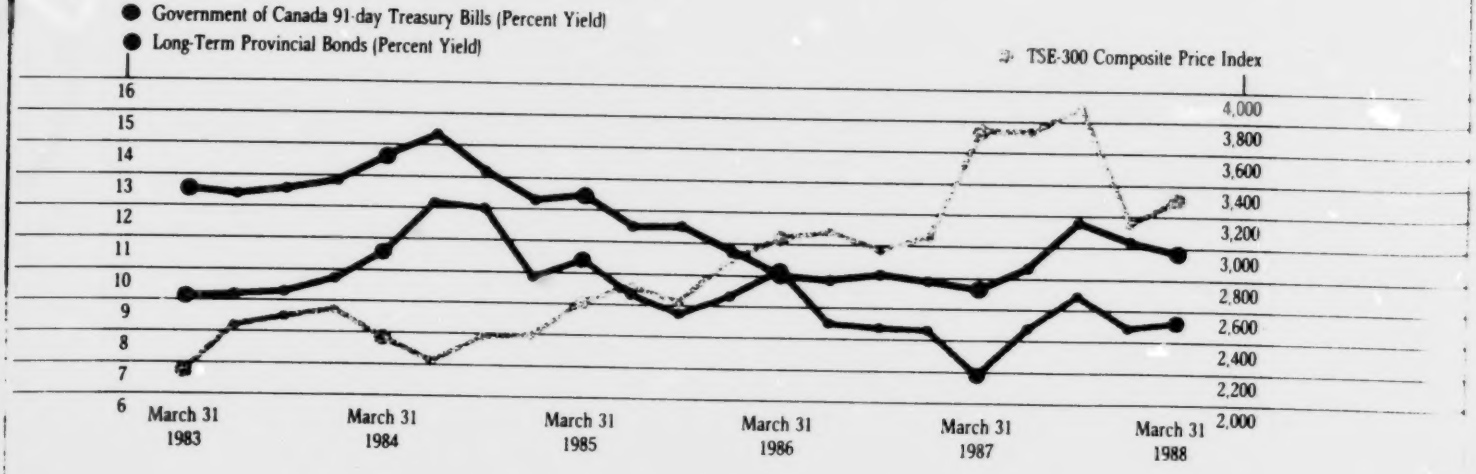
Investment at March 31, 1988: $2,798 million

RATES OF RETURN AND YIELDS ON INVESTMENTS 1987-88

	Rate of Return on Amortized Cost (%)	Yield to Maturity on Amortized Cost of Fixed Income Securities (%)
Canada Investment Division	12.8	12.2
Alberta Investment Division	12.0	11.5
Energy Investment Division	17.1	14.6
Commercial Investment Division	13.2[a]	8.7[b]
Cash and Marketable Securities	8.7	8.8
	11.4	10.9

a) Does not include the unrealized appreciation in market value of shares
b) Money market securities only

TRENDS IN YIELDS ON CANADIAN SECURITIES



CANADA INVESTMENT DIVISION

Summary of Investment Transactions For the Year Ended March 31, 1988
(millions of dollars)

	Cost March 31, 1987	Purchases	Amortization	Repayments and Redemptions	Cost March 31, 1988	Par Value March 31, 1988
Province of Manitoba	259.2	–	0.2	75.0	184.4	185.0
Province of New Brunswick	245.4	–	0.2	75.0	170.6	172.0
New Brunswick Electric Power Commission	133.6	–	0.2	–	133.8	135.0
	379.0	–	0.4	75.0	304.4	307.0
Province of Newfoundland	154.6	–	0.2	105.0	49.8	50.0
Newfoundland and Labrador Hydro	148.4	–	0.1	–	148.5	150.0
Newfoundland Municipal Financing Corporation	70.9	–	–	1.7	69.2	69.8
	373.9	–	0.3	106.7	267.5	269.8
Province of Nova Scotia	232.4	–	0.2	25.0	207.6	210.0
Nova Scotia Municipal Finance Corporation	48.1	–	–	4.6	43.5	43.7
Nova Scotia Power Corporation	124.0	–	0.1	25.0	99.1	100.0
	404.5	–	0.3	54.6	350.2	353.7
Province of Prince Edward Island	63.1	–	0.1	3.0	60.2	61.0
Hydro-Quebec	377.5	–	0.5	75.0	303.0	310.0
Total	1,857.2	–	1.8	389.3	1,469.7	1,486.5

COMMERCIAL INVESTMENT DIVISION

Summary of Investment Transactions For the Year Ended March 31, 1988
(millions of dollars)

	Cost March 31, 1987	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1988	Market Value March 31, 1988
Money market securities	9.3	171.7	1.5	146.7	35.8	35.8
Common and preferred shares	223.4	21.5	–	17.8	227.1	409.3
Total	232.7	193.2	1.5	164.5	262.9	445.1

ALBERTA INVESTMENT DIVISION

Summary of Investment Transactions For the Year Ended March 31, 1988
(millions of dollars)

	Cost March 31, 1987	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1988
Investments in Province of Alberta					
(Small Business Term Assistance Fund)					
Promissory Notes					
Investments at March 31, 1987	–		–	–	–
Investments made during 1987-88:					
9.30% November 3, 1988		40.0	–	–	40.0
9.75% November 17, 1988		10.0	–	–	10.0
9.65% November 6, 1989		45.0	–	–	45.0
9.90% November 13, 1989		30.0	–	–	30.0
9.90% November 16, 1990		50.0	–	–	50.0
9.85% November 23, 1990		25.0	–	–	25.0
	–	**200.0**	**–**	**–**	**200.0**
Investments in Provincial Corporations:					
Alberta Agricultural Development Corporation Debentures					
Investments at March 31, 1987	1,003.8		–	27.9	975.9
Investments made during 1987-88:					
10.93% September 1, 2012		26.0	–	–	26.0
10.47% March 23, 2013		15.0	–	–	15.0
	1,003.8	**41.0**	**–**	**27.9**	**1,016.9**
Alberta Government Telephones Commission Debentures					
Investments	**1,298.4**	**–**	**0.2**	**200.0**	**1,098.6**
Alberta Mortgage and Housing Corporation Debentures					
Investments at March 31, 1987	3,396.2		–	272.0	3,124.2
Investments made during 1987-88:					
9.16% July 15, 2007		20.0	–	0.2	19.8
10.06% August 17, 2007		10.0	–	0.1	9.9
11.23% September 15, 2007		25.0	–	0.2	24.8
11.57% October 15, 2007		45.0	–	–	45.0
10.28% March 15, 2008		24.0	–	–	24.0
9.93% July 2, 2012		7.0	–	–	7.0
11.31% October 1, 2012		2.0	–	–	2.0
11.34% January 4, 2013		18.0	–	–	18.0
10.68% March 31, 2013		4.0	–	–	4.0
	3,396.2	**155.0**	**–**	**272.5**	**3,278.7**
Alberta Municipal Financing Corporation Debentures					
Investments	**1,279.6**	**–**	**0.4**	**455.0**	**825.0**

ALBERTA INVESTMENT DIVISION

(continued)

	Cost March 31, 1987	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1988
Alberta Opportunity Company Debentures					
Investments at March 31, 1987	155.6		–	38.8	116.8
Investments made during 1987-88:					
10.88% September 30, 1992		5.0	–	–	5.0
10.49% December 15, 1992		10.0	–	–	10.0
9.52% March 15, 1993		5.0	–	–	5.0
9.50% March 31, 1993		28.0	–	–	28.0
	155.6	**48.0**	**–**	**38.8**	**164.8**
Total Provincial Corporations	**7,133.6**	**244.0**	**0.6**	**994.2**	**6,384.0**
Other Alberta Investment Division Investments:					
Bralorne Resources Ltd. debenture 12.875% August 15, 1995	3.5	–	–	–	3.5
IPSCO Inc. 14.50% May 15, 1995	3.4	–	–	3.4	–
Millar Western Pulp Ltd. Participating debenture, July 31, 2004	–	50.7	–	–	50.7
NOVA Corporation of Alberta Ltd. Adjustable rate convertible subordinate debentures, February 15, 2008	–	150.0	–	–	150.0
Ridley Grain Ltd. debenture 11.00% July 31, 2015	134.0	–	–	–	134.0
Alberta Energy Company Ltd. common shares	87.3	–	–	–	87.3
Bank of Alberta common shares	1.6	–	–	–	1.6
Participation in Syncrude Project	483.3	173.2	–	147.6	508.9
Total	**7,846.7**	**817.9**	**0.6**	**1,145.2**	**7,520.0**

ENERGY INVESTMENT DIVISION

Summary of Investment Transactions For the Year Ended March 31, 1988
(millions of dollars)

	Cost March 31, 1987	Purchases	Disposals, Repayments and Redemptions	Cost March 31, 1988
Luscar Ltd. debenture 13.875% December 2, 1989	**8.8**	**–**	**7.5**	**1.3**

CAPITAL PROJECTS DIVISION

AGRICULTURE

Farming For The Future

With the increasing competitiveness of international markets, the agricultural sector relies on technological innovation to ensure profitability and long-term viability. The research funded by the Farming For The Future program has resulted in new varieties of cereals and oilseeds, new methods for controlling animal and plant diseases, improved agronomic practices and better information on the marketing of agricultural products. The results-oriented research is also applied through on-farm demonstration projects funded under the program.

Investment in 1987-88: $5 million

Investment at March 31, 1988: $44 million

Rail Hopper Cars

As part of its ongoing commitment to our vital agricultural sector, the Government acquired 1,000 hopper cars in 1980-82 to help increase the grain-carrying capacity of the railway system. In the 1986-87 crop year (August 1 - July 31), 15,452 carloads of grain were moved in the Heritage Fund hopper cars. The Alberta cars made up approximately 3.5 per cent of the railway grain fleet, and moved 1.2 million tonnes of grain representing 4.2 per cent of the total grain movements to export terminals.

Investment at March 31, 1988: $54 million

Grazing Reserves Development

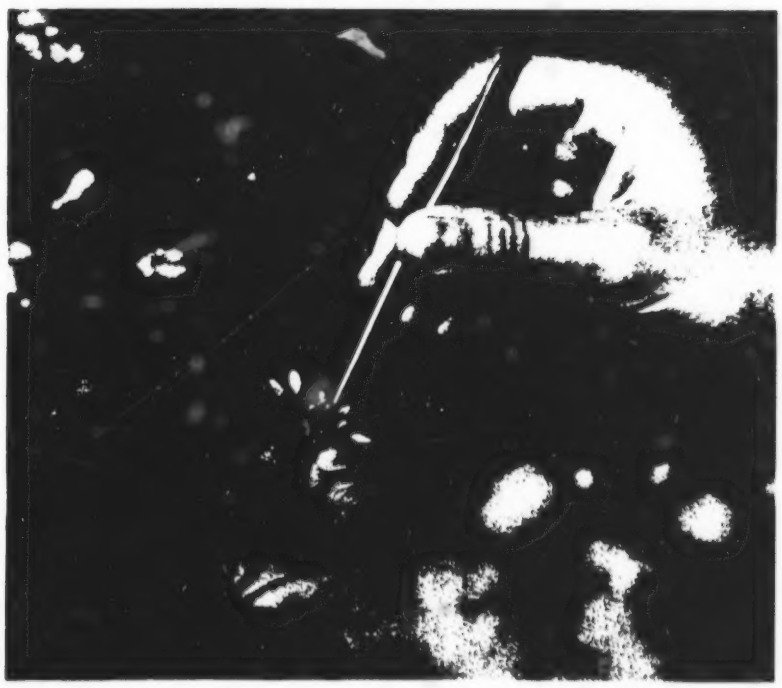
In support of the agricultural economy in the province's grey-wooded soil areas, this project provided for the development of an additional 12 public grazing reserves and the Cooking Lake-Blackfoot Grazing, Wildlife and Provincial Recreational Area. These reserves promote the diversification of the agricultural economy by enabling farmers to graze their stock on public land while using privately owned land for cereal crop production. All development work was carried out by private contractors and involved the clearing of bush land and the establishment of tame forages.

The Grazing Reserves Development program began in 1977 and concluded on March 31, 1988.

Investment in 1987-88: $3 million

Investment at March 31, 1988: $39 million

The Farming For The Future program fosters a broad range of agricultural research including alternate energy sources and ways of enhancing crop yields.



Irrigation Rehabilitation and Expansion

The efficient and effective management of Alberta's water resources is advanced through the combined efforts of this project and the Irrigation Headworks and Main Irrigation Systems Improvement project. Assistance is provided to 13 Irrigation Districts to plan, rehabilitate and expand Alberta's irrigation distribution network.

During 1987-88, 46 km (29 miles) of canals were lined, 48 km (30 miles) of pipeline were installed and 84 km (52 miles) of earth canals and drains were rehabilitated. A total of 470,000 hectares (1.16 million acres) under irrigation were serviced by the respective irrigation districts.

Investment in 1987-88: $25 million

Investment at March 31, 1988: $237 million

RESEARCH AND TECHNOLOGY

Alberta Oil Sands Technology and Research Authority (AOSTRA)

In support of the province's energy sector, the Authority promotes research and development into the technological methods required for the economic recovery and processing of crude bitumen and other oil sands products and the enhancement of conventional crude oil recovery techniques. The Authority's involvement in technology development ranges from fundamental, academic and institutional research to the support of large-scale field pilots and demonstration units in co-operation with industry and both federal and provincial government bodies.

Investment in 1987-88: $21 million

Investment at March 31, 1988: $404 million

Applied Cancer Research

Through its support to both clinical and pure research, this grant program is helping to make Alberta a centre of excellence in cancer research. The projects funded through the program provide benefits which extend beyond the laboratory and clinical trials to bedside patient care. International recognition has been received on a study of the genetic basis of susceptibility to cancer. Studies of advanced diagnostic, chemotherapy and radiotherapy technologies such as magnetic resonance imaging were among the 22 projects funded in 1987-88.

Investment in 1987-88: $2 million

Investment at March 31, 1988: $36 million

Applied Heart Disease Research

Funding was provided over a six year period ending March 31, 1982, to assist in the development of cardiac care programs. Proven projects such as the pediatric cardiology program at the University of Alberta Hospitals and the cardiac rehabilitation programs at the Calgary General Hospital and Royal Alexandra Hospitals in Edmonton continue to be funded through the government's General Revenue Fund.

Investment at March 31, 1988: $29 million

Alberta Heritage Foundation for Medical Research

Since establishment in 1979-80 the investment earnings of this endowment fund, which has grown to over $439 million, have provided $269 million to support a wide range of pure and clinical medical research projects. Such a significant level of funding is the prime reason that Alberta has become a world-class centre for medical research.

During the last year the Foundation funded new scientists' research in areas such as: preventing rejection in kidney transplants, earlier detection of melanoma, understanding Sudden Infant Death Syndrome, enhancing nerve regeneration, and many basic studies of the molecular bases of diseases.

Investment at March 31, 1988: $300 million

Occupational Health and Safety Research and Education

Research, education and training projects are addressing health and safety concerns in the workplace. Grants have enabled high hazard industries such as forestry to develop innovative training materials for their workers, designed to prevent needless injuries and deaths. Pioneering research has been conducted into the dangers of hydrogen sulfide gas, and the disposal and clean-up of common, yet hazardous, laboratory chemicals. Projects have also evaluated personal protection devices, including breathing apparatus, hearing protectors, and fire-resistant work clothing. 149 grants have been awarded to the end of 1987-88.

Investment in 1987-88: $1 million

Investment at March 31, 1988: $6 million

Alberta has become a world leader in research into the prevention and treatment of cancer.

Opposite: Occupational Health and Safety Research and Education conducts training programs to ensure proper health and safety procedures in high hazard industries.

ECONOMIC DIVERSIFICATION

Food Processing Development Centre

The Leduc facility supports Alberta's expanding food processing and food service industry by applying new technology to private sector requests for assistance in developing new processes and processed products as well as providing assistance through to semi-commercial production. The product development laboratory evaluates and helps to improve existing products, formulates prototypes and evaluates product quality and packaging systems. Centre staff also provide in-plant technical assistance and information services to industry.

Investment at March 31, 1988:
$9 million

Airport Terminal Buildings

During the period 1979-80 through 1983-84, the Heritage Fund provided funding to construct or upgrade airport terminals in 18 communities around the province. These terminals helped improve accessibility to these centres and continue to play an important role in serving the economic and other needs of these communities.

Investment at March 31, 1988:
$16 million

Electronics Test Centre

The Alberta Research Council's Electronics Test Centre is the only facility in Western Canada providing testing and certification for electronic products, as well as product evaluation and research support for manufacturers. The Centre can test and evaluate any product including those used in telecommunications, medical electronics, data processing, office automation and process instrumentation. It provides complete "one-stop" testing and engineering services, accredited by national and international agencies. This world-class facility, which opened in 1985 and became fully operational in 1986-87, is a key component of the province's network of research and applied science centres, helping to keep Alberta's electronics industry at the forefront of technology.

Investment at March 31, 1988:
$6 million

Microchip Design and Fabrication Facilities

The state-of-the-art microchip design and fabrication facilities operated by the Alberta Microelectronics Centre offer a variety of services, including feasibility studies, microelectronic prototype development and microchip design and fabrication. The services are provided to companies using and adapting microelectronic applications in their products and operations. Many of the new product, prototype developments completed in 1987-88 on behalf of small Alberta companies included Application Specific Integrated Circuits designed and manufactured at the Centre. In conjunction with the University of Alberta, the Centre's research and development activity includes microsensor development which utilizes silicon integrated circuit technology. The Centre's Edmonton Fabrication Facility is complemented by the Centre's Design and Engineering Application facility located in Calgary. The facilities are an integral part of the network of research and applied sciences centres providing comprehensive, leading-edge technology services to Alberta industry.

Investment at March 31, 1988:
$8 million

A technologist at the Electronics Test Centre measures electromagnetic interference in the radio frequency anechoic chamber.

Opposite: Microchip fabrication at the Alberta Microelectronics Centre in Edmonton.

ENVIRONMENT

Paddle River Basin Development

The control of damage caused by the flooding of the Paddle River and the provision of an assured water supply for the area are vital and integral components of Alberta's water management program. These needs were met through the completion of this project in 1986-87 whereby a dam 30 metres (98 feet) high was constructed on the river's upper reaches. Related works include dykes, flood free road systems and channel improvements in the flood plain area. The resulting reservoir will help foster the future development of recreational facilities.

Investment at March 31, 1988: $42 million

Land Reclamation

The principal objective of this project is to reclaim land not governed at the time of disturbance by the Land Surface Conservation and Reclamation Act. These disturbances are the result of man-made activities. Work under this project has focussed primarily on restoring abandoned garbage dumps, sewage lagoons, gravel pits and mine sites throughout Alberta. Since the project's inception, over 1,100 sites have been or are in the process of being reclaimed. Most municipalities throughout the province have participated in the project, with a number having utilized the program for more than one project. As well, funds continue to be committed in support of research projects concerned with improving land reclamation methods.

Investment in 1987-88: $2 million

Investment at March 31, 1988: $31 million

Irrigation Headworks and Main Irrigation Systems Improvement

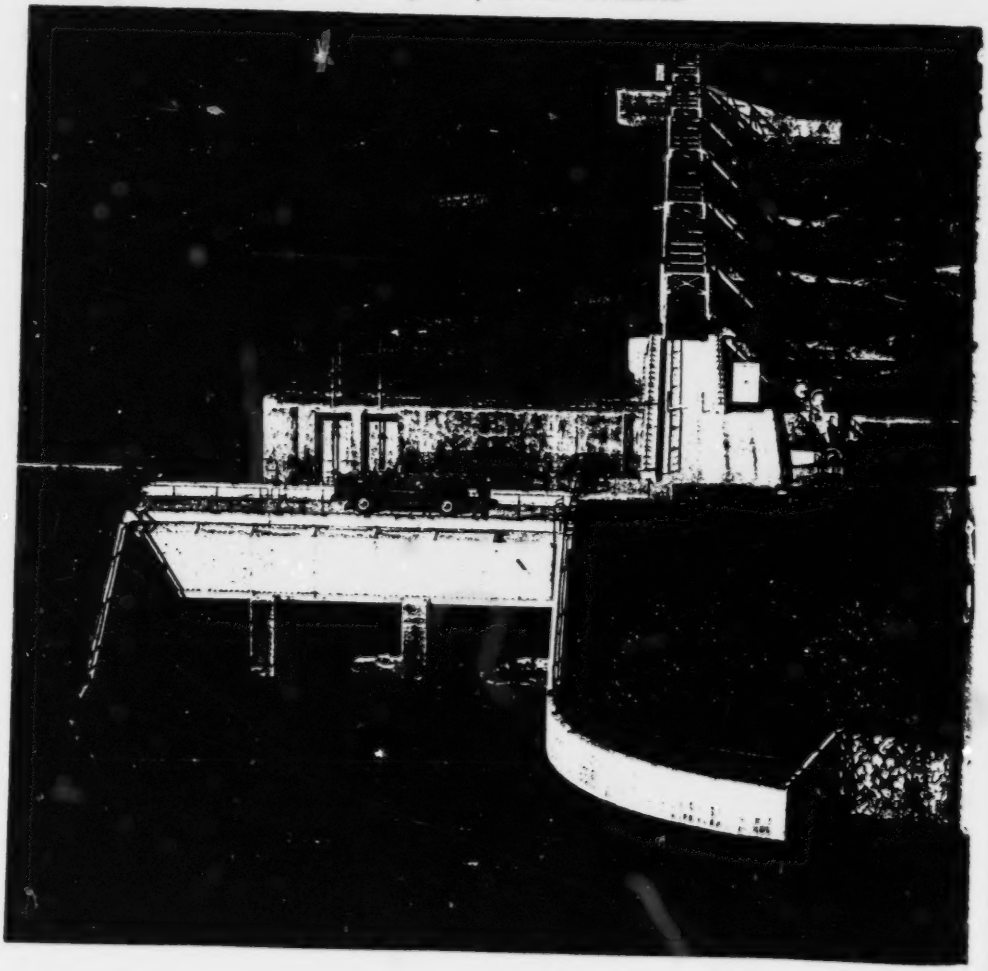
As an integral part of the province's broad water management policy, this program supports the rehabilitation, upgrading or replacement of existing irrigation headworks and delivery systems and the development of new water storage and delivery facilities.

In 1987-88, canal enlargement and lining was completed on the final reach of the Lethbridge Northern Irrigation District main canal project, a total length of 81 kilometres (50 miles). The St. Mary River Irrigation District main canal has been completed to approximately 80 per cent of its total length of 290 kilometres (180 miles). The Forty Mile Coulee Reservoir, near Bow Island, was completed in 1987-88. These projects, along with others previously completed under the program, will provide an assured water supply for irrigation, along with other benefits such as recreation, domestic and municipal water supplies.

Investment in 1987-88: $47 million

Investment at March 31, 1988: $362 million

The headworks of the Lethbridge Northern Irrigation System near Fort Macleod.



Lesser Slave Lake Outlet

The perennial problem of flooding in the communities and agricultural lands surrounding Lesser Slave Lake was alleviated in 1983-84 through completion of construction of a weir and outlet channels to help stabilize lake levels.

Investment at March 31, 1988: $3 million

Maintaining Our Forests

In support of the province's environment and the many users of the forest resource base, this project assisted with the re-establishment and improvement of coniferous forests damaged by fire and industrial expansion. The program concluded in 1986-87. Over its eight year history, approximately 111,000 acres or 45,000 hectares were planted with seedlings. In addition, a tree improvement program was initiated in cooperation with the forest industry under which genetically superior trees are selected and grown to provide seed for reforestation programs.

Investment at March 31, 1988: $25 million

Alberta Reforestation Nursery

This project was undertaken to provide a secure source of conifer seedlings for both government and industry reforestation projects. The Pine Ridge Forest Nursery has produced approximately 203 million seedlings, or an average of 20 million per year. The Nursery became fully operational in 1980-81. Capital funding for the design and construction of the Nursery was completed in 1984-85.

Investment at March 31, 1988: $15 million

QUALITY OF LIFE

RECREATION

Kananaskis Country Recreation Development

The Heritage Fund investment over the past decade in Kananaskis Country has provided a major legacy of recreational facilities and amenities to be enjoyed by Albertans and visitors.

Facilities enjoyed by millions of visitors during the year, include over 3,000 automobile accessible campsites in 30 campgrounds, including the Mount Kidd Recreational Vehicle Park, 17 backcountry and primitive campgrounds, 13 group camps, 75 picnic areas throughout Kananaskis Country and six amphitheatres in the major campgrounds.

There are now over 1,500 kilometres (930 miles) of trails of a variety for hiking, cross-country skiing, horseback riding, snowmobiling, biking, mountain biking, trail biking and four-wheel driving.

There are also 10 put-and-take fishing ponds, one of which, Mount Lorette Ponds, is wheel-chair accessible, with paved pathways, accessible bridges and picnic sites. The Kananaskis Country Golf Course, built by the Heritage Fund and operated by a private sector company, is popular with both golfers and non-golfers alike. Since the course opened in 1983 over 250,000 rounds of golf have been played.

William Watson Lodge, a special facility in Peter Lougheed Provincial Park designed for disabled people and senior citizens of Alberta, has proven to be extremely popular.

Investment in 1987-88: $3 million

Investment at March 31, 1988: $225 million

Municipal Recreation/ Tourism Areas

Since 1986-87, the Municipal Recreation/Tourism Areas program has provided capital grants to rural communities for the development, upgrading and operation of outdoor recreation facilities. With the assistance of this program rural communities have been able to improve local recreation opportunities and increase tourism.

A key factor in the success of the program has been the degree of community enthusiasm and initiative to develop local recreation and tourist attractions. Communities represented by organizations such as local service groups and civic officials, choose the site and develop the plans. Once the initial site development plan has been agreed upon, Recreation and Parks' consultants are available to assist communities with planning and conceptual design of the area.

In 1987-88, 21 new sites received development funding and six additional sites were completed.

Investment in 1987-88: $2 million

Investment at March 31, 1988: $5 million

Fish Creek Provincial Park

Fish Creek Provincial Park, one of the first urban provincial parks in Canada, was completed in 1986-87. This 1,330 hectare (3,300 acre) park, located in south Calgary, includes facilities such as a visitor centre offering interpretive programs, an environmental education centre, the Sikome Lake recreation area which includes a 3.6 hectare (nine acre) swimming and skating lake, an equestrian centre, and a number of amphitheatres, picnic areas and historical sites.

Investment at March 31, 1988: $45 million

Capital City Recreation Park

This unique 1,200 hectare (3,000 acre) park, located in Edmonton and the neighboring County of Strathcona, joins 14 regional parks by cross-river bridges and 55 kilometres (34 miles) of bicycle and hiking paths. It provides a broad range of leisure opportunities such as a family recreation centre, picnic and nature areas, fountains and a fish pond. It also includes a ski lodge and eight science pavillions featuring science and technology displays and archaeological artifacts. Only the acquisition of land and rights of way to connect trail systems and to consolidate the park remain to complete the project.

Investment in 1987-88: $0.1 million

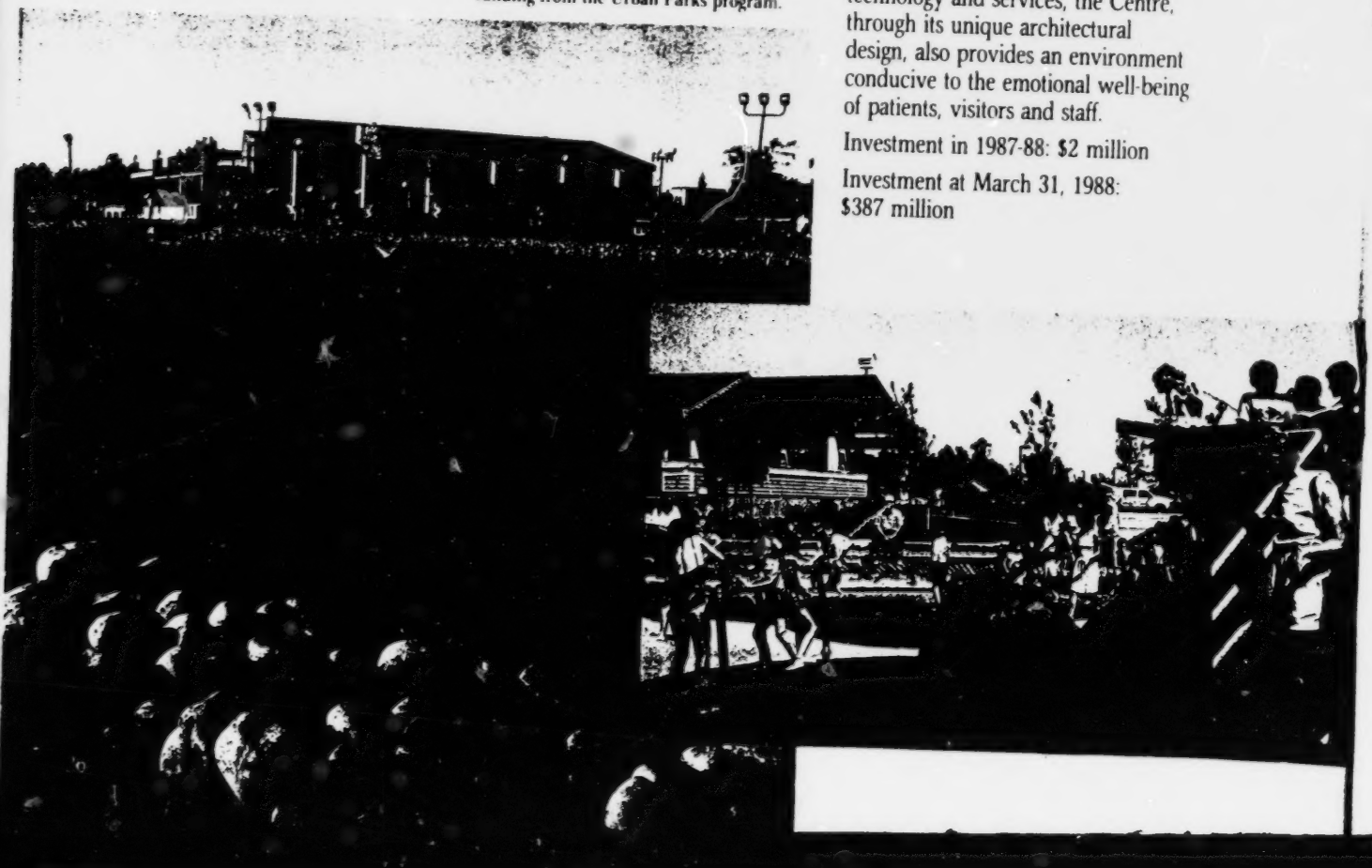
Investment at March 31, 1988: $42 million

Urban Parks

The Urban Parks program, which was announced in 1979, provided capital funds until 1987 to five cities to buy land and to plan and develop urban park systems. As well as enhancing the outdoor recreational opportunities available to residents of these cities, these park systems help preserve the local natural environment. Parks in Lloydminster, Medicine Hat, Lethbridge, Red Deer and Grande Prairie will continue to be enjoyed by Albertans for many years to come.

Investment at March 31, 1988: $87 million

Centennial Park in Grande Prairie (below left) and the Bud Miller All Seasons Park in Lloydminster (below right) were built with funding from the Urban Parks program.



HEALTH CARE

Walter C. Mackenzie Health Sciences Centre

Located at the University of Alberta in Edmonton to service northern Alberta and the Northwest Territories, this ultra modern health sciences centre integrates health care, teaching and research. Within the 167,000 square metre (1.8 million square feet) complex are 843 acute care beds, 14 operating theatres and seven intensive care units. The facility is able to support such leading edge programs as heart/lung transplants. For outpatients requiring "same day" surgery or treatments, the Centre provides a 40-bed day ward, four operating rooms and an eight-bed recovery room. Over 5,000 professional, technical and research staff are employed at the Centre. While offering state-of-the-art technology and services, the Centre, through its unique architectural design, also provides an environment conducive to the emotional well-being of patients, visitors and staff.

Investment in 1987-88: $2 million

Investment at March 31, 1988: $387 million

Tom Baker Cancer Centre and Special Services Facility

Both facilities are located on the Foothills Medical Centre site in Calgary. The facilities were opened for patient care in the fall of 1981 and were completed in 1984. As an outpatient unit, the Tom Baker Centre provides diagnostic, chemotherapy, radiation therapy and psychosocial support services to cancer patients and their families. The technology, equipment and treatment available at the Centre provides advanced, quality care for southern Alberta.

The Special Services Facility houses the southern office of the Provincial Laboratory of Public Health, a hostel unit and day service unit, an auxiliary hospital and other services. Staff and services are also shared with other departments within the Foothills Medical Centre.

Investment at March 31, 1988:
$93 million

Alberta Children's Provincial General Hospital

Located in Calgary and completed in 1984, this children's health centre focuses on the total health of its young patients. Based on the belief that children require special care to achieve their maximum potential, both basic and complex medical and surgical services are provided to inpatients. As well, outpatient services are provided through over 30 specialty clinics, a school for physically/developmentally disabled children and the Mobile Team Project, a program unique in North America that takes teams of therapists out of the hospital and into the community.

Investment at March 31, 1988:
$40 million

EDUCATION

Heritage Learning Resources

The Alberta Heritage Learning Resources Project, which was launched during Alberta's 75th Anniversary year, was the largest educational publishing project ever undertaken by the provincial government. It provided an impetus for the publishing industry by drawing upon the creative and organizational talents of many individuals.

The $9 million project involved the development and publication of six sets of materials for use in Alberta schools, all of which emphasized the history and geography, and the social and natural environment of Canada, particularly western Canada.

These life enriching resources have been very well received and are available in all Alberta schools, nursing homes and libraries.

Investment at March 31, 1988:
$9 million

Library Development

This four year project supported the significant upgrading and expansion of library collections in all 15 Alberta public colleges and universities. At the time the project was completed in 1982-83, more than 600,000 volumes of library books, periodicals and non-print resources had been acquired.

Investment at March 31, 1988:
$9 million

Alberta Heritage Scholarship Fund

Since inception in 1981-82 this endowment fund's earnings have provided an annual budget of approximately $9 million to support a comprehensive range of 13 scholarships and awards. Most are used to further individual study at the post-secondary level. The Alberta Heritage Scholarship Fund has, to date, awarded over $58 million to more than 41,000 Albertans who have benefited from the assistance and who will help make Alberta better place to live in the future.

Investment at March 31, 1988:
$100 million

RURAL DEVELOPMENT

Universal Rural Private Telephone Line Service

Some 9,000 rural telephone party line subscribers were converted to individual line service in 1987-88. Through direct assistance to Alberta Government Telephones and 'edmonton telephones' and rebates to individual subscribers, the eventual goal is to convert all of the over 100,000 party line subscribers in the province by 1991-92. Upon completion of the project, all Albertans will enjoy the highest quality telecommunications services.

Investment in 1987-88: $18 million

Investment at March 31, 1988:
$48 million

Alberta Heritage Savings Trust Fund
A TEN YEAR REVIEW: 1978-79 TO 1987-88
(millions of dollars)

	1987-88	1986-87	1985-86	1984-85
Transfer of Non-Renewable Resource Revenue to the Heritage Fund	0	216	685	737
Net Income Earned on the Fund's Investments	1,353	1,445	1,667	1,575
Subtract				
Income Tranferred to Budgetary Revenues	1,353	1,445	1,667	1,575
Expenditures on Non-income Earning Capital Projects Division Projects (Deemed Assets)	129	227	240	228
New Funds Available to the Heritage Fund for Income Earning Investments	(129)	(11)	445	509
Increase (Decrease) in Payables	(54)	40	(3)	(11)
Add				
Financial Assets of the Heritage Fund at the Beginning of the Year	12,745	12,716	12,274	11,776
Financial Assets of the Heritage Fund at the End of the Year	12,562	12,745	12,716	12,274
Consisting of				
Alberta Investment Division[b]	7,520	7,847	8,177	8,151
Capital Projects Division[c]	200	200	200	200
Energy Investment Division	1	9	16	24
Canada Investment Division	1,470	1,857	1,864	1,870
Commercial Investment Division	263	233	217	201
Cash and Marketable Securities and Other Assets	3,108	2,599	2,242	1,828
Financial Assets	12,562	12,745	12,716	12,274
Rate of Return on Amortized Cost[d] (%)	11.4	12.0	14.3	13.7

[a] Net investment income before deducting administrative expenses. Pursuant to an amendment to the Heritage Fund Act, effective April 1, 1984, the transfer was changed to net income after deducting administrative expenses.

[b] Prior to 1979-80 includes investments in Alberta Municipal Financing Corporation and the Alberta Government Telephones Commission held by the Heritage Fund and transferred to the Alberta Investment Division in that year.

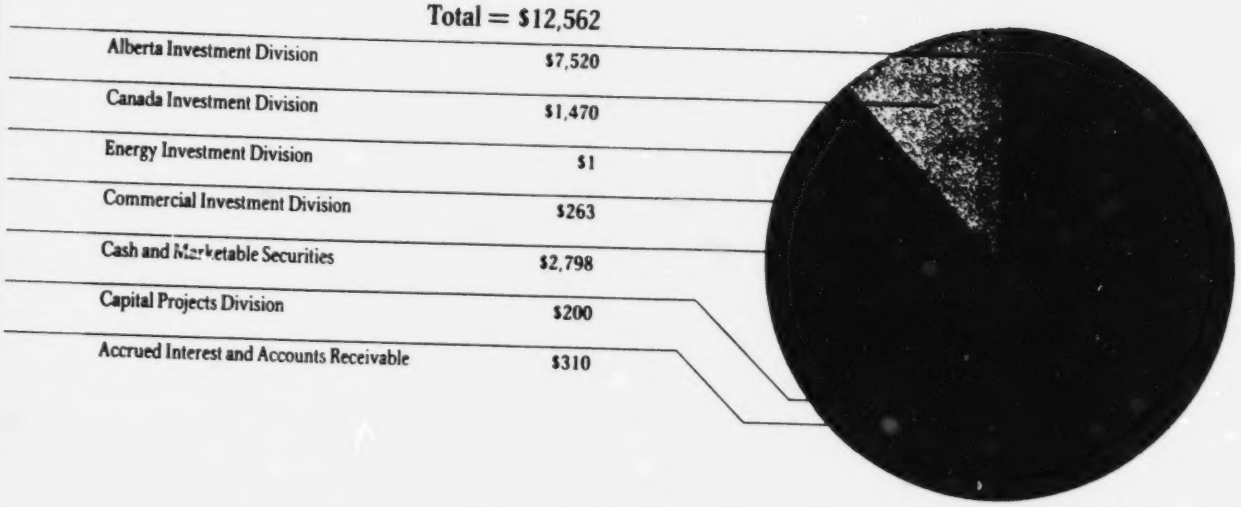
[c] Investment in Vencap Equities Alberta Ltd.

[d] Rate of return on the Fund's investments is calculated using the time weighted method.

1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
719	1,370	1,434	1,444	1,332	1,060
1,467	1,482	1,007	724	343	294
1,469	866	–	–	–	–
330	296	349	227	478	132
387	1,690	2,092	1,941	1,197	1,222
(8)	7	(10)	(9)	39	(23)
11,397	9,700	7,618	5,686	4,450	3,251
11,776	11,397	9,700	7,618	5,686	4,450
8,079	8,158	6,335	4,524	3,140	3,167
200	–	–	–	–	–
25	25	25	25	–	–
1,896	1,903	1,909	1,492	929	270
199	199	189	–	–	–
1,377	1,112	1,242	1,577	1,617	1,013
11,776	11,397	9,700	7,618	5,686	4,450
13.4	13.9	12.6	10.8	10.1	9.5

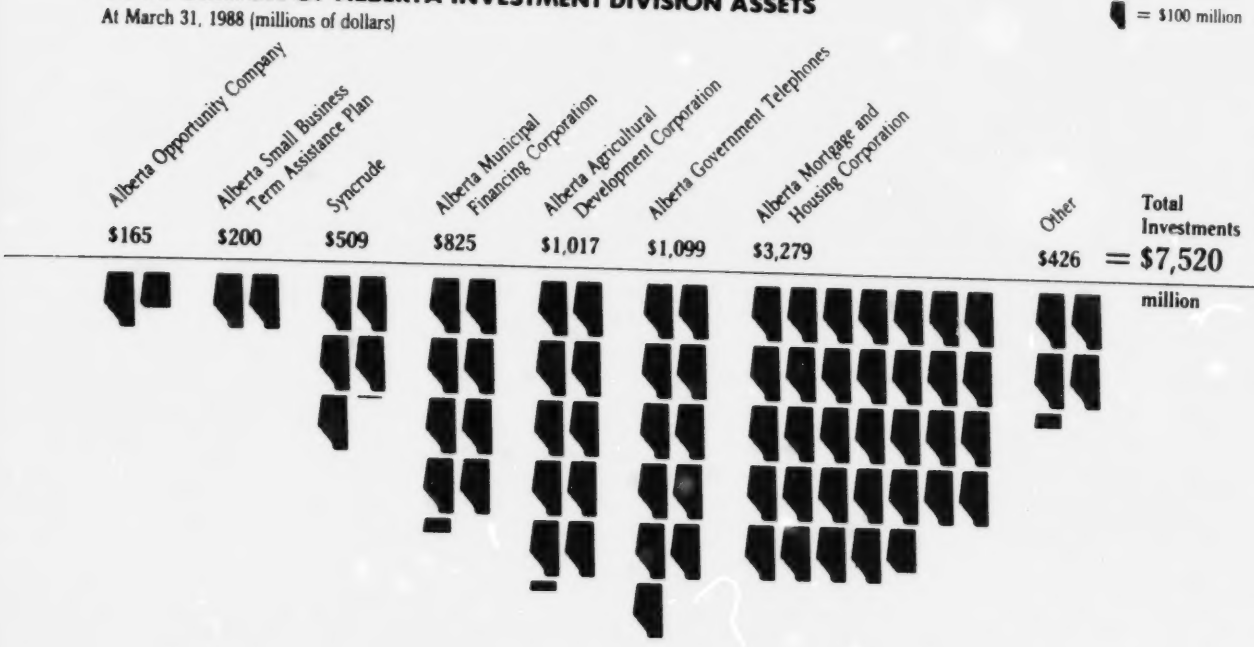
COMPOSITION OF FINANCIAL ASSETS

As at March 31, 1988 (millions of dollars)


Total = $12,562
Alberta Investment Division $7,520
Canada Investment Division $1,470
Energy Investment Division $1
Commercial Investment Division $263
Cash and Marketable Securities $2,798
Capital Projects Division $200
Accrued Interest and Accounts Receivable $310

COMPOSITION OF ALBERTA INVESTMENT DIVISION ASSETS

At March 31, 1988 (millions of dollars)


= $100 million
Alberta Opportunity Company $165
Alberta Small Business Term Assistance Plan $200
Syncrude $509
Alberta Municipal Financing Corporation $825
Alberta Agricultural Development Corporation $1,017
Alberta Government Telephones $1,099
Alberta Mortgage and Housing Corporation $3,279
Other $426
Total Investments = $7,520 million

ALBERTA HERITAGE SAVINGS TRUST FUND
FINANCIAL STATEMENTS

March 31, 1988

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AUDITOR'S REPORT

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1988 and the statements of income, retained earnings, transfers, amounts expended and fund equity, changes in financial position and Capital Projects Division amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

The practice of including deemed assets and deemed equity represented by deemed assets on the balance sheet is not appropriate nor is the presentation in accordance with generally accepted accounting principles. Deemed assets represent amounts expended which are not recoverable by the Fund and where assets do exist, they belong to other organizations. Although it has been interpreted by management that the Alberta Heritage Savings Trust Fund Act requires the disclosure of deemed assets on the balance sheet, the financial position of the Fund would be better understood if the deemed assets and deemed equity represented by deemed assets which both amount to $2,758,363,000 were not included.

In my opinion, except that the inclusion of deemed assets and deemed equity represented by deemed assets on the balance sheet is not appropriate as explained in the preceding paragraph, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended, in accordance with the disclosed basis of accounting, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

Edmonton, Alberta
June 24, 1988

C.A.
Auditor General

Alberta Heritage Savings Trust Fund

BALANCE SHEET

March 31, 1988
(thousands of dollars)

		1988	1987
ASSETS	Cash and marketable securities, Schedule 1	$ 2,797,759	$ 2,252,509
	Accrued interest and accounts receivable	306,279	346,566
	Due from the General Revenue Fund	3,928	–
	Canada Investment Division investments, Schedule 2	1,469,716	1,857,220
	Alberta Investment Division investments, Schedule 3	7,520,050	7,846,737
	Energy Investment Division investments, Schedule 4	1,250	8,750
	Commercial Investment Division investments, Schedule 5	262,875	232,752
	Capital Projects Division investments, Schedule 6	199,996	199,997
		$12,561,853	$12,744,531
DEEMED ASSETS	Capital Projects Division investments, Schedule 7	$ 2,758,363	$ 2,629,287
LIABILITIES AND FUND EQUITY	Liabilities		
	Accounts payable	$ 8,644	$ 48,089
	Due to the General Revenue Fund	–	14,157
		8,644	62,246
	Fund equity	12,553,209	12,682,285
		$12,561,853	$12,744,531
DEEMED EQUITY REPRESENTED BY DEEMED ASSETS		$ 2,758,363	$ 2,629,287

The accompanying notes are part of these financial statements.

Alberta Heritage Savings Trust Fund

STATEMENT OF INCOME, RETAINED EARNINGS, TRANSFERS, AMOUNTS EXPENDED AND FUND EQUITY

For the Year Ended March 31, 1988
(thousands of dollars)

		1988	1987
INCOME AND RETAINED EARNINGS	Investment income before the undernoted	$ 1,338,253	$ 1,440,661
	Net gain on disposals of investments	16,595	11,084
	Write-down of investments	—	(5,801)
	Net investment income (Note 4)	1,354,848	1,445,944
	Administrative expenses (Note 5)	1,366	1,038
	Net income	1,353,482	1,444,906
	Transfer to the General Revenue Fund (Note 6)	1,353,482	1,444,906
	Net increase in retained earnings	—	—
	Retained earnings at beginning and end of year	3,262,247	3,262,247
TRANSFERS FROM THE GENERAL REVENUE FUND	Non-renewable resource revenue transfer (Note 7)	—	216,391
	Cumulative transfers at beginning of year	12,049,325	11,832,934
	Cumulative transfers at end of year	12,049,325	12,049,325
AMOUNTS EXPENDED UNDER THE CAPITAL PROJECTS DIVISION	Amounts expended during the year	(129,076)	(226,806)
	Cumulative amounts expended at beginning of year	(2,629,287)	(2,402,481)
	Cumulative amounts expended at end of year	(2,758,363)	(2,629,287)
FUND EQUITY AT END OF YEAR		$12,553,209	$12,682,285

Alberta Heritage Savings Trust Fund

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1988
(thousands of dollars)

		1988	1987
OPERATING TRANSACTIONS	Net income	$1,353,482	$ 1,444,906
	Non-cash items:		
	Net gain on disposals of investments	(16,595)	(11,084)
	Amortization of discount/premium on investments, net	(3,921)	(5,080)
	Write-down of investments	—	5,801
	Decrease in receivables	36,359	120,222
	Increase (decrease) in payables	(53,602)	38,734
	Cash provided by operating transactions	1,315,723	1,593,499
INVESTING TRANSACTIONS	Proceeds from disposals, repayments and redemptions of investments:		
	Canada Investment Division	389,300	8,300
	Alberta Investment Division	1,145,160	743,683
	Energy Investment Division	7,500	7,500
	Commercial Investment Division	181,179	114,784
	Capital Projects Division	1	1
	Investments:		
	Alberta Investment Division	(817,855)	(410,840)
	Commercial Investment Division	(193,200)	(124,109)
	Cash provided by investing transactions	712,085	339,319
TRANSFERS AND AMOUNTS EXPENDED	Non-renewable resource revenue transfer from the General Revenue Fund	—	216,391
	Transfer to the General Revenue Fund	(1,353,482)	(1,444,906)
	Capital Projects Division amounts expended	(129,076)	(226,806)
	Cash applied to transfers and amounts expended	(1,482,558)	(1,455,321)
INCREASE IN CASH AND MARKETABLE SECURITIES		545,250	477,497
Cash and marketable securities at beginning of year		2,252,509	1,775,012
CASH AND MARKETABLE SECURITIES AT END OF YEAR		$2,797,759	$ 2,252,509

Alberta Heritage Savings Trust Fund

CAPITAL PROJECTS DIVISION – STATEMENT OF AMOUNTS EXPENDED

For the Year Ended March 31, 1988
(thousands of dollars)

Department/Project	Amounts Authorized	Amounts Expended	Unexpended (Over Expended)
Agriculture			
Farming For The Future	$ 5,000	$ 4,658	$ 342
Irrigation Rehabilitation and Expansion	25,000	24,949	51
Community and Occupational Health			
Occupational Health and Safety Research and Education	1,500	817	683
Energy			
Alberta Oil Sands Technology and Research Authority	20,800	20,800	–
Environment			
Irrigation Headworks and Main Irrigation Systems Improvement	45,000	47,227	(2,227)
Land Reclamation	2,350	2,106	244
Forestry, Lands and Wildlife			
Grazing Reserves Development	3,252	3,170	82
Hospitals and Medical Care			
Applied Cancer Research	2,800	2,047	753
Walter C. Mackenzie Health Sciences Centre	10,000	1,676	8,324
Public Works, Supply and Services			
Capital City Recreation Park	400	68	332
Recreation and Parks			
Kananaskis Country Recreation Development	3,861	3,375	486
Municipal Recreation/Tourism Areas	2,000	2,000	–
Transportation and Utilities			
Universal Rural Private Telephone Line Service	18,400	18,400	–
	$140,363	131,293	$ 9,070
Recovery of amounts expended in previous years			
Walter C. Mackenzie Health Sciences Centre		2,217	
		$129,076	

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1988

NOTE 1 Authority

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act, Chapter A-27, Revised Statutes of Alberta 1980, as amended.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

(i) These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:

(a) The investment in Alberta Energy Company Ltd., which represents 36% of the total number of issued and outstanding voting shares of the company, included in the Alberta Investment Division is valued at cost. Income is recognized only to the extend that dividends are received or receivable. The book value of the investment is not adjusted for the Fund's pro rata share of retained earnings of the company.

(b) Capital Projects Division investments represent the aggregate net amount expended from November 4, 1976 to March 31, 1988 under the authority of "Appropriation Acts" passed pursuant to subsection 6(2)(a) of the Alberta Heritage Savings Trust Fund Act. These investments are deemed to be assets of the Trust Fund with a value equal to the net amounts expended pursuant to subsection 6(8)(a) of the Alberta Heritage Savings Trust Fund Act (see Note 3). Amounts expended to acquire financial assets are shown separately as assets of the Fund. Amounts expended, not recoverable by the Fund, are included in the determination of Fund equity and are shown as deemed assets on the balance sheet.

(ii) Other significant accounting policies are as follows:

(a) Securities included in the Canada Investment Division, the Alberta Investment Division, the Energy Investment Division and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(b) The participation in the Syncrude Project, included in the Alberta Investment Division, is accounted for on the equity basis.

(c) Bonds, bond coupons and residuals and mid-term money market securities included in marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis. Short-term money market securities are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of cost or market value, on an aggregate basis, are included in the determination of net investment income.

(e) Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

(f) Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(g) Foreign currency transactions are translated into Canadian dollars by the use of an average exchange rate in effect at the transaction date.

At the balance sheet date, marketable securities and payables in respect of forward exchange contracts denominated in foreign currency are translated at the rate of exchange in effect at that date.

Gains and losses arising from the translation of foreign currency denominated items are included in the determination of net investment income.

Any exchange gain or loss relating to marketable securities denominated in foreign currency that are fully hedged by forward exchange contracts is offset against the corresponding exchange loss or gain on the hedge.

NOTE 3 Compliance Information

The Investment Divisions shown on the balance sheet were established pursuant to section 6 of the Alberta Heritage Savings Trust Fund Act. Investments made under each of the Capital Projects Division and the Canada Investment Division are limited to 20 % of the assets of the Trust Fund. For the purpose of determining the assets of the Trust Fund to which these percentage limitations apply, the Act provides that investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund with a value equal to the net amounts expended, while all other assets of the Trust Fund shall be valued at book value. Compliance information with respect to these statutory limits is provided in the table below.

	1988	% of Assets	1987	% of Assets
Capital Projects Division investments:				
Schedule 6	$ 199,996,000		$ 199,997,000	
Schedule 7	2,758,363,000		2,629,287,000	
	2,958,359,000	19	2,829,284,000	18
Canada Investment Division investments:				
Schedule 2	1,469,716,000	10	1,857,220,000	12
Other assets	10,883,497,000	71	10,625,068,000	70
	$15,311,572,000	100	$15,311,572,000	100

NOTE 4 Segmented Information

Segmented information on net investment income is as follows:

	1988	1987
Cash and marketable securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 11,884,000	$ 21,190,000
Money market securities, short-term and mid-term	209,358,000	140,500,000
Bond coupons and residuals	365,000	2,834,000
Bonds	1,165,000	3,180,000
Canada Investment Division investments:		
Debentures	222,065,000	237,398,000
Alberta Investment Division investments:		
Promissory notes	7,418,000	—
Debentures	814,906,000	975,571,000
Common shares	5,777,000	4,952,000
Participation in Syncrude Project	44,107,000	33,572,000
Energy Investment Division investments:		
Debenture	921,000	1,999,000
Commercial Investment Division investments:		
Money market securities, short-term	1,508,000	871,000
Convertible bonds	108,000	3,644,000
Common and preferred shares	28,107,000	12,050,000
Capital Projects Division investments:		
Participating debenture of Vencap Equities Alberta Ltd.	7,159,000	8,183,000
	$1,354,848,000	$1,445,944,000

NOTE 5 Administrative Expenses

	1988	1987
Expenses paid directly from the Fund pursuant to section 11(1) of the Alberta Heritage Savings Trust Fund Act	$ 436,000	$ 90,000
Other administrative expenses estimated and charged to the Fund pursuant to section 11(2) of the Alberta Heritage Savings Trust Fund Act	930,000	948,000
	$1,366,000	$1,038,000

Administrative expenses for the year ended March 31, 1988 relating to the Syncrude Project estimated at $560,000 (1987 - $594,000) are not included in other administrative expenses but are reflected in results of operations of the project for the year.

NOTE 6 — Transfer to the General Revenue Fund

All of the net income of the Fund has been transferred to the General Revenue Fund pursuant to section 4(2) of the Alberta Heritage Savings Trust Fund Act.

NOTE 7 — Non-renewable Resource Revenue Transfer

For the 1987-88 fiscal year, none of the non-renewable resource revenue received by the Province was transferred to the Alberta Heritage Savings Trust Fund.

For the 1986-87 fiscal year, 15 % of the net non-renewable resource revenue received by the Province was transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1986-87 and section 5(5) of the Alberta Heritage Savings Trust Fund Act.

NOTE 8 — Contingencies

Claims and potential claims pending at March 31, 1988 in respect of various capital projects exceed amounts expended by approximately $16,047,000 ($17,940,000). The resulting loss, if any, from these claims and potential claims cannot be determined.

NOTE 9 — Approval of Financial Statements

These financial statements were approved by management.

Alberta Heritage Savings Trust Fund

Schedule 1

CASH AND MARKETABLE SECURITIES

March 31, 1988

	1988		1987	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Bonds:				
Government of Canada, direct	$ 16,312	$ 16,327	$ —	$ —
Provincial, guaranteed (a)	8,080	8,066	—	—
	24,392	24,393	—	—
Bond coupons and residuals:				
Government of Canada, direct	22,005	22,018	1,127	1,130
Mid-term money market securities:				
Certificate of deposit	500	504	3,000	3,002
Short-term money market securities (b):				
Treasury bills:				
Government of Canada	1,014,427	1,014,427	504,203	504,203
Province of Alberta	—	—	4,992	4,992
Other provinces	29,125	29,125	28,294	28,294
Promissory notes:				
Province of Alberta	353,340	353,340	981,371	981,371
Other	278,431	278,431	133,919	133,919
Bankers' acceptances	683,366	683,366	369,312	369,312
Deposit receipts	25,068	25,068	105,158	105,158
Bearer deposit notes	255,779	255,779	11,868	11,868
Certificates of deposit and guaranteed investment certificates	30,370	30,370	10,944	10,944
	2,669,906	2,669,906	2,150,061	2,150,061
Deposit in the Consolidated Cash Investment Trust Fund	80,956	80,956	98,321	98,321
	$2,797,759	$2,797,777	$2,252,509	$2,252,514

(a) Contains no Province of Alberta guaranteed issues.

(b) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund

Schedule 2

CANADA INVESTMENT DIVISION INVESTMENTS

March 31, 1988

	1988 Par Value	Cost 1988	Cost 1987
		(thousands of dollars)	
Debentures (a):			
Province of Manitoba	$ 185,000	$ 184,445	$ 259,202
Province of New Brunswick	172,000	170,612	245,385
New Brunswick Electric Power Commission	135,000	133,766	133,618
Province of Newfoundland	50,000	49,763	154,604
Newfoundland and Labrador Hydro	150,000	148,484	148,355
Newfoundland Municipal Financing Corporation	69,800	69,249	70,896
Province of Nova Scotia	210,000	207,649	232,446
Nova Scotia Municipal Finance Corporation	43,650	43,487	48,055
Nova Scotia Power Corporation	100,000	99,066	123,977
Province of Prince Edward Island	61,000	60,166	63,097
Hydro-Quebec	310,000	303,029	377,585
	$1,486,450	$1,469,716	$1,857,220

(a) Debentures bear interest rates from 9.50 % to 16.375 % with maturity dates from December 1, 1988 to July 15, 2005. The debentures are redeemable by a single payment of the full principal sum on maturity.

Alberta Heritage Savings Trust Fund

Schedule 3

ALBERTA INVESTMENT DIVISION INVESTMENTS

March 31, 1988

	1988	1987
	(thousands of dollars)	
Province of Alberta promissory notes (a)	$ 200,000	$ –
Provincial corporation debentures (b):		
Alberta Agricultural Development Corporation	1,016,920	1,003,760
Alberta Government Telephones Commission	1,098,601	1,298,407
Alberta Mortgage and Housing Corporation	3,278,741	3,396,194
Alberta Municipal Financing Corporation	825,000	1,279,576
Alberta Opportunity Company	164,800	155,600
Corporate debentures:		
Bralorne Resources Limited		
12.875 % maturing on August 15, 1995	3,445	3,500
IPSCO Inc.		
14.50 % maturing on May 15, 1995	–	3,462
Millar Western Pulp Ltd.		
Participating debenture (c)	50,693	–
NOVA Corporation of Alberta Ltd.		
Adjustable rate convertible subordinate debentures (d)	150,000	–
Ridley Grain Ltd.		
11 % participating first mortgage bonds (e)	133,976	133,976
Common shares:		
Alberta Energy Company Ltd. (f)	87,346	87,346
Bank of Alberta	1,600	1,600
Participation in Syncrude Project (g)	508,928	483,316
	$7,520,050	$7,846,737

(a) Province of Alberta promissory notes bear interest rates from 9.3% to 9.9% with maturity dates from November 3, 1988 to November 23, 1990. Proceeds of the issues were deposited by the Province into the Small Business Term Assistance Fund.

(b) Provincial corporation debentures bear interest rates from 8.06% to 18.05% with maturity dates from July 15, 1988 to March 29, 2015. Interest rates on Alberta Government Telephones Commission and Alberta Municipal Financing Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a five year period only and repayment is by annual instalments of the principal sum over the life of the debenture. The Provincial Treasurer may permit all or part of the other provincial corporation debentures to be redeemed by the issuer prior to maturity without penalty.

During the year debentures amounting to $83,677,000 (1987 - $32,851,000) were redeemed prior to maturity.

(c) Authorization has been given to pay from the Fund monies required to meet the Province's contractual obligations to invest funds in a participating debenture of Millar Western Pulp Ltd. up to a maximum of $120,000,000. The funds are to be used to finance a project to construct a pulp mill at Whitecourt, Alberta. Under the terms of the debenture, prior to repayment by the company of its bank construction loan, the Fund participates in 80% of the company's available cash flow, increasing thereafter to 90% when the company's bank construction loan is repaid. All participation payments are to be applied first in principal repayment and second in payment of interest as defined in the debenture. No interest is due until the full principal amount has been repaid. The principal is repayable over a period not exceeding fifteen years from the completion of the project or July 31, 2004, whichever is the earlier. No interest has been accrued to March 31, 1988. Income from the debenture will be recognized to the extent that interest is received.

(d) The debentures are convertible at the Fund's option into common shares of the company on or before the earlier of February 15, 2008 or one business day prior to redemption, at a conversion price of $10.70 per share, subject to adjustment on the occurrence of certain events as defined in the debentures. Interest is payable semi-annually at a rate equal to the greater of 6.25% per annum and the dividend yield per annum based on dividends paid in the previous six months and the conversion price, plus 1%. If the conversion price is adjusted to $11.45 per share by the company on or after February 15, 1993, interest will be fixed at the rate of 7.5% per annum thereafter. The company may elect to pay interest in common shares of the company.

The debentures are redeemable at the company's option, at the principal amount plus accrued interest on or after February 15, 1993.

The debentures mature on February 15, 2008, or as may be mutually agreed between the company and the Province. At the option of the company, the principal amount of the debentures may be repaid by common shares of the company at the average closing price of the common shares on the Toronto Stock Exchange for the 30 trading days prior to the maturity date.

(e) The Province's contractual obligations to invest monies in participating first mortgage bonds of Ridley Grain Ltd. have been met up to the maximum authorized to be paid from the Fund. The monies have been used to finance the construction of a grain terminal at Ridley Island, Prince Rupert, British Columbia. Under the terms of the debenture, prior to completion of the project, interest on the bonds is capitalized and compounded annually; thereafter interest is compounded semi-annually and payable annually and any shortfall is to be capitalized. The principal, including capitalized interest, is repayable on or before July 31, 2015. No interest has been capitalized or accrued since July 31, 1985, the date of completion of the project. Income from the bonds is recognized to the extent that interest is received.

The Fund's investment in the project at March 31, 1988 includes capitalized interest of $27,726,000 (1987 - $27,726,000).

(f) Pursuant to section 19(1) of the Alberta Energy Company Act, the Province may not hold more than 50% of the voting shares of the company and the aggregate amount that the Province may have invested in the company at any time, or be committed to invest, in common shares shall not exceed $250 million as the purchase price thereof. At March 31, 1988 the Fund held 19,257,732 common shares of the company (1987 - 19,257,732 common shares) representing 36% (1987 - 37%) of the total number of issued and outstanding voting shares of the company.

The company reported retained earnings at December 31, 1987 of $192,700,000 (1986 - $154,600,000).

On April 12, 1988, the Fund purchased an additional 1,702,128 common shares of the company at a cost of $30,000,006. After giving effect to this purchase, the Fund held 20,959,860 common shares of the company, representing 36% of the total number of issued and outstanding voting shares of the company on that date.

(g) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project Ownership and Management Agreement. As a 16.74% participant in the project the Fund is, as lessee, entitled to its proportionate share of all substances produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. The Fund's participation in the project is summarized hereunder:

	1988	1987
Balance at beginning of year	$483,316,000	$458,595,000
Advances	173,162,000	158,203,000
Repayments	(191,657,000)	(167,054,000)
Net profit for the year	44,107,000	33,572,000
Balance at end of year	$508,928,000	$483,316,000

Alberta Heritage Savings Trust Fund

Schedule 4

ENERGY INVESTMENT DIVISION INVESTMENTS

March 31, 1988

	1988	1987
	(thousands of dollars)	
Corporate debenture:		
Luscar Ltd.		
13.875% maturing on December 2, 1989	$ 1,250	$ 8,750

Repayable in quarterly instalments of $1,250,000. An additional instalment of $2,500,000 was made during the current year with a premium.

Alberta Heritage Savings Trust Fund

Schedule 5

COMMERCIAL INVESTMENT DIVISION INVESTMENTS

March 31, 1988

	1988		1987	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Canadian equities (a):				
Common shares:				
Communications and media	$ 16,425	$ 35,223	$ 15,621	$ 35,244
Consumer products	18,551	35,102	17,358	44,481
Financial services	26,712	26,476	20,159	29,558
Gold and silver	12,335	29,490	14,313	34,077
Industrial products	16,858	32,933	19,601	39,757
Management companies	8,963	28,450	12,059	39,051
Merchandising	15,325	35,353	16,263	39,250
Metals and minerals	23,696	37,156	25,401	44,213
Oil and gas	30,513	46,596	35,203	58,515
Paper and forest products	8,709	26,156	10,064	37,028
Pipelines	12,416	20,275	12,416	19,550
Transportation	2,584	12,916	2,584	11,957
Utilities	20,778	30,205	15,084	27,154
Preferred shares:				
Merchandising	2,124	2,559	2,124	4,331
Financial services	10,968	10,253	5,157	5,187
Rights:				
Consumer products	128	123	–	–
	227,085	409,266	223,407	469,353
Short-term money market securities (b):				
Bankers' acceptances	32,468	32,468	–	–
Bearer deposit notes	2,243	2,243	–	–
Treasury bills:				
Government of Canada	1,079	1,079	9,345	9,345
	$262,875	$445,056	$232,752	$478,698

(a) The industrial classifications are those used by the Toronto Stock Exchange.

(b) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund

Schedule 6

CAPITAL PROJECTS DIVISION INVESTMENTS - ASSETS

March 31, 1988

Department/Project	1988	1987
	(thousands of dollars)	
Economic Development and Trade		
Venture Capital Financing - Vencap Equities Alberta Ltd. (a)	$ 199,996	$ 199,997

(a) The outstanding balance of the loan to Vencap Equities Alberta Ltd. (Vencap) is repayable in instalments of $1,000 in each of the years 1988 to 2002, inclusive, in instalments of $15,000,000 in each of the years 2003 to 2012, inclusive, and a final instalment of $49,981,000 in 2013. In the current year interest on the participating debenture securing the loan amounts to 50% (1987 - 50%) of the defined net income of Vencap. This percentage reduces as the loan is repaid and convertible debentures amounting to $40,000,000, maturing July 2, 1988, and guaranteed by the Province, are converted or redeemed. For 20 years following full repayment of the loan, the Fund will receive 10% of the defined net income of Vencap.

As further consideration for the loan the Province has been granted an option to purchase up to 4,000,000 special shares at $1 each, exclusive to the Province, convertible into common shares of Vencap. The purchase option expires on the later of the repayment of the loan and the redemption or conversion of the convertible debentures, on which later date the 20% voting rights attaching to each and all of the special shares cease.

Alberta Heritage Savings Trust Fund

Schedule 7

CAPITAL PROJECTS DIVISION INVESTMENTS - DEEMED ASSETS

March 31, 1988

Department/Project	1988	1987
	(thousands of dollars)	
Advanced Education		
Alberta Heritage Scholarship Fund	$ 100,000	$ 100,000
Library Development	9,000	9,000
Agriculture		
Farming For The Future	43,807	39,149
Food Processing Development Centre	9,013	9,013
Irrigation Rehabilitation and Expansion	237,070	212,121
Community and Occupational Health		
Occupational Health and Safety Research and Education	6,155	5,338
Economic Development and Trade		
Rail Hopper Cars	53,779	53,779
Education		
Alberta Heritage Learning Resources	9,222	9,222
Energy		
Alberta Oil Sands Technology and Research Authority	403,649	382,849
Environment		
Irrigation Headworks and Main Irrigation Systems Improvement	362,482	315,255
Land Reclamation	31,239	29,133
Lesser Slave Lake Outlet	2,889	2,889
Paddle River Basin Development	41,781	41,781
Forestry, Lands and Wildlife		
Alberta Reforestation Nursery	14,739	14,739
Grazing Reserves Development	39,094	35,924
Maintaining Our Forests	24,960	24,960
Hospitals and Medical Care		
Alberta Children's Provincial General Hospital	40,477	40,477
Applied Cancer Research	36,097	34,050
Applied Heart Disease Research	29,341	29,341
Tom Baker Cancer Centre and Special Services Facility	93,204	93,204
Walter C. Mackenzie Health Sciences Centre	387,469	388,010
Public Works, Supply and Services		
Capital City Recreation Park	42,378	42,310
Fish Creek Provincial Park (Land)	28,237	28,237
Recreation and Parks		
Fish Creek Provincial Park (Development)	16,859	16,859
Kananaskis Country Recreation Development	224,613	221,238
Municipal Recreation/Tourism Areas	5,475	3,475
Urban Parks	86,650	86,650
Technology, Research and Telecommunications		
Alberta Heritage Foundation for Medical Research Endowment Fund	300,000	300,000
Electronics Test Centre	6,175	6,175
Microchip Design and Fabrication Facilities	7,750	7,750
Transportation and Utilities		
Airport Terminal Buildings	16,359	16,359
Universal Rural Private Telephone Line Service	48,400	30,000
	$2,758,363	$2,629,287

MEMBERS OF THE ALBERTA HERITAGE SAVINGS TRUST FUND INVESTMENT COMMITTEE

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The Honourable D. J. Russell
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The Honourable J. Horsman
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The Honourable P. N. Webber
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